

Message Text

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43

ACTION EB-11

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FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 3556

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E.O. 11652: N/A

TAGS: EIND, EFIN

SUBJECT: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: STATE 053993

1. INVESTMENT STATISTICS. ON BASIS 1971 SURVEY
(SEE LAGOS 7318 OF AUGUST 20, 1971) EMBASSY ESTIMATED
TOTAL BOOK VALUE OF US DIRECT INVESTMENT IN MID-1971
AT \$800 MILLION, WITH APPROXIMATELY 95 PERCENT IN
PETROLEUM. IN ITS 1973 SUBMISSION (LAGOS A-67 OF
APRIL 6, 1973) EMBASSY CITED CENTRAL BANK ESTIMATES
THAT PUT TOTAL BOOK VALUE US DIRECT INVESTMENT AT END 1970
AT \$400 MILLION.

2. WE HAVE NOT CONDUCTED COMPANY SURVEY SINCE THAT OF
1971 AND ALTHOUGH WE ARE TOLD THAT CENTRAL BANK UPDATING
ITS ESTIMATES THESE NOT YET AVAILABLE. NONETHELESS,
IF 1971 EMBASSY ESTIMATE OF \$800 MILLION CORRECT, WE
ESTIMATE THAT BOOK VALUE AT END 1973 PROBABLY APPROACHING
\$1 BILLION, AND STILL CONCENTRATED IN PETROLEUM.

3. HOWEVER WE BELIEVE, AS EMBASSY ALSO SAID IN LAGOS 7318,
THAT \$800 MILLION FIGURE WAS PROBABLY OVERESTIMATE (JUST
AS CENTRAL BANK FIGURE ALMOST CERTAINLY UNDERESTIMATE).
WE NOTE FOR EXAMPLE THAT SURVEY OF CURRENT BUSINESS
(SEPTEMBER 1973) PUT BOOK VALUE TOTAL US PETROLEUM INVESTMENT
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IN AFRICA (INCLUDING EGYPT BUT EXCLUDING SOUTH AFRICA)

AT \$2,100,000 AT END 1971, OF WHICH APPROXIMATELY \$1,000,000 IN LIBYA. FOR 1971 EMBASSY FIGURE TO BE CORRECT, BOOK VALUE PETROLEUM INVESTMENT IN NIGERIA WOULD HAVE HAD TO BE ABOUT ONE THIRD OF ALL US PETROLEUM INVESTMENT IN AFRICA (EXCLUDING SOUTH AFRICA) OR APPROXIMATELY THREE FOURTHS OF ALL US PETROLEUM INVESTMENT IN AFRICA (EXCLUDING LIBYA AND SOUTH AFRICA). THIS SEEMS TO US HIGH.

4. OUR BEST ESTIMATE, BASED IN PART ON RECENT CONVERSATIONS WITH EXECUTIVES SELECTED US OIL COMPANIES, IS THAT TOTAL BOOK VALUE AT END 1973 PROBABLY IN EXCESS \$800 MILLION BUT HAS NOT YET REACHED \$1 BILLION. (FYI ONLY: GULF TOLD US THAT ITS GROSS INVESTMENT IN NEIGHBORHOOD \$400 MILLION BUT THAT CURRENT BOOK VALUE, I.E., AFTER DEPRECIATION, CLOSER TO \$200 MILLION, AND WE HAD COMPARABLE ESTIMATE FROM MOBIL. WE RECKON THAT TOGETHER THESE TWO ACCOUNT FOR 50 PER CENT OR MORE US INVESTMENT IN PETROLEUM, AND OVER 90 PER CENT US DIRECT INVESTMENT STILL CONCENTRATED ON PETROLEUM. END FYI)

5. WE KNOW OF NO UP-TO-DATE ESTIMATES OF DIRECT INVESTMENT FROM OTHER COUNTRIES. ALMOST CERTAINLY UK STILL LEADS US BUT WE HAVE REASON TO BELIEVE THIS GAP NARROWING AS RESULT DISINVESTMENT RESULTING FROM FMG'S EQUITY PARTICIPATION IN SHELL/BP AND FROM INDIGENIZATION. WE KNOW OF NO NIGERIAN DIRECT INVESTMENT IN US.

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6. INVESTMENT NARRATIVE. TEXT ATTACHED LAGOS A-67 REMAINS VALID BUT WE SUGGEST FOLLOWING AS REPLACEMENT FOR FIRST PARAGRAPH:

" IT IS THE POLICY OF THE FEDERAL GOVERNMENT TO HAVE A SUBSTANTIAL EQUITY PARTICIPATION IN OIL AND GAS AND SELECTED OTHER KEY INDUSTRIES OR ACTIVITIES, BUT FOR MOST OF THESE IT WELCOMES AND IS READY TO NEGOTIATE JOINT VENTURES WITH FOREIGN INVESTORS. IN OTHER AREAS OF ACTIVITY, THE PRIVATE SECTOR IS ENCOURAGED, BUT EFFECTIVE APRIL 1, 1974, 22 SMALL SCALE SERVICE AND DISTRIBUTION ACTIVITIES ARE RESERVED WHOLLY FOR NIGERIAN CITIZENS, AND IN 33 MEDIUM SCALE ACTIVITIES, LIMITED OFFICIAL USE

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40 PERCENT NIGERIAN PARTICIPATION IS REQUIRED. SUBJECT TO THESE LIMITATIONS, FOREIGN DIRECT INVESTMENT IS WELCOMED IN THE PRIVATE SECTOR. THE CURRENT BOOK VALUE OF OVERALL US DIRECT INVESTMENT, MOSTLY IN PETROLEUM IS ESTIMATED TO EXCEED \$800 MILLION."

7. FOR THE PARAGRAPH RECENT DEVELOPMENTS, WE SUGGEST THE FOLLOWING:

"IN THE EXPECTATION THAT OIL REVENUES AND FOREIGN EXCHANGE WILL INCREASE THREEFOLD OR MORE IN 1974, THE GOVERNMENT ACTED ON APRIL 1 TO LOWER IMPORT AND EXCISE DUTIES ON SELECTED FOODSTUFFS AND RAW MATERIALS, AND TO PLACE IMPORT PAYMENTS AND REMITTANCE OF PROFITS AND DIVIDENDS ON A COMPLETELY CURRENT BASIS. THE NEW LEVEL OF REVENUE AND EXCHANGE EARNINGS WILL MANIMIZE NIGERIA'S DEPENDENCE ON EXTERNAL FINANCING, BUT THE TECHNICAL AND MANAGEMENT EXPERTISE OF FOREIGN INVESTORS WILL BE INCREASINGLY NEEDED TO IMPLEMENT THE DEVELOPMENT PROJECTS THE NEW REVENUES MAKE POSSIBLE."
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